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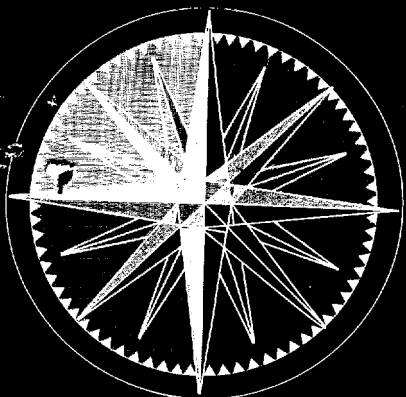
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SPECIAL REPORT

BURMA AFTER NE WIN'S FIRST FOUR YEARS

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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SECRET**BURMA AFTER NE WIN'S FIRST FOUR YEARS**

After four years of authoritarian rule, the regime of General Ne Win still lacks widespread popular support and is beset with serious problems. Ethnic and Communist insurgents continue to defy the government and appear to be broadening the scope of their operations. The government's program of economic nationalization seems merely to aggravate the country's many economic ills. In foreign affairs, Ne Win continues to profess neutrality and noninvolvement, but at times he has been forced to assume a more accommodating posture toward neighboring China than he desires.

Despite all its troubles, however, the Ne Win regime is not currently endangered. The general populace has not become aroused by the government's repeated failures, and the insurgents lack unity and centralized direction. The army, upon whose support Ne Win depends, remains essentially loyal.

Public Discontent

Since ousting the government of Premier U Nu in 1962, Ne Win's military regime has transformed Burma into an authoritarian socialist state. Ne Win immediately abolished parliamentary and judicial institutions and initiated press censorship. In 1963 there were mass arrests and the detention of opposition leaders. In March 1964 all political parties were banned, except the government-sponsored Burma Socialist Program Party (BSPP). Student groups at Rangoon University, traditionally a source of agitation, have been suppressed.

Several Buddhist monks and laymen were arrested during April and May of last year because of "illegal political agitation." Their defiance had been sparked by Ne Win's interference with

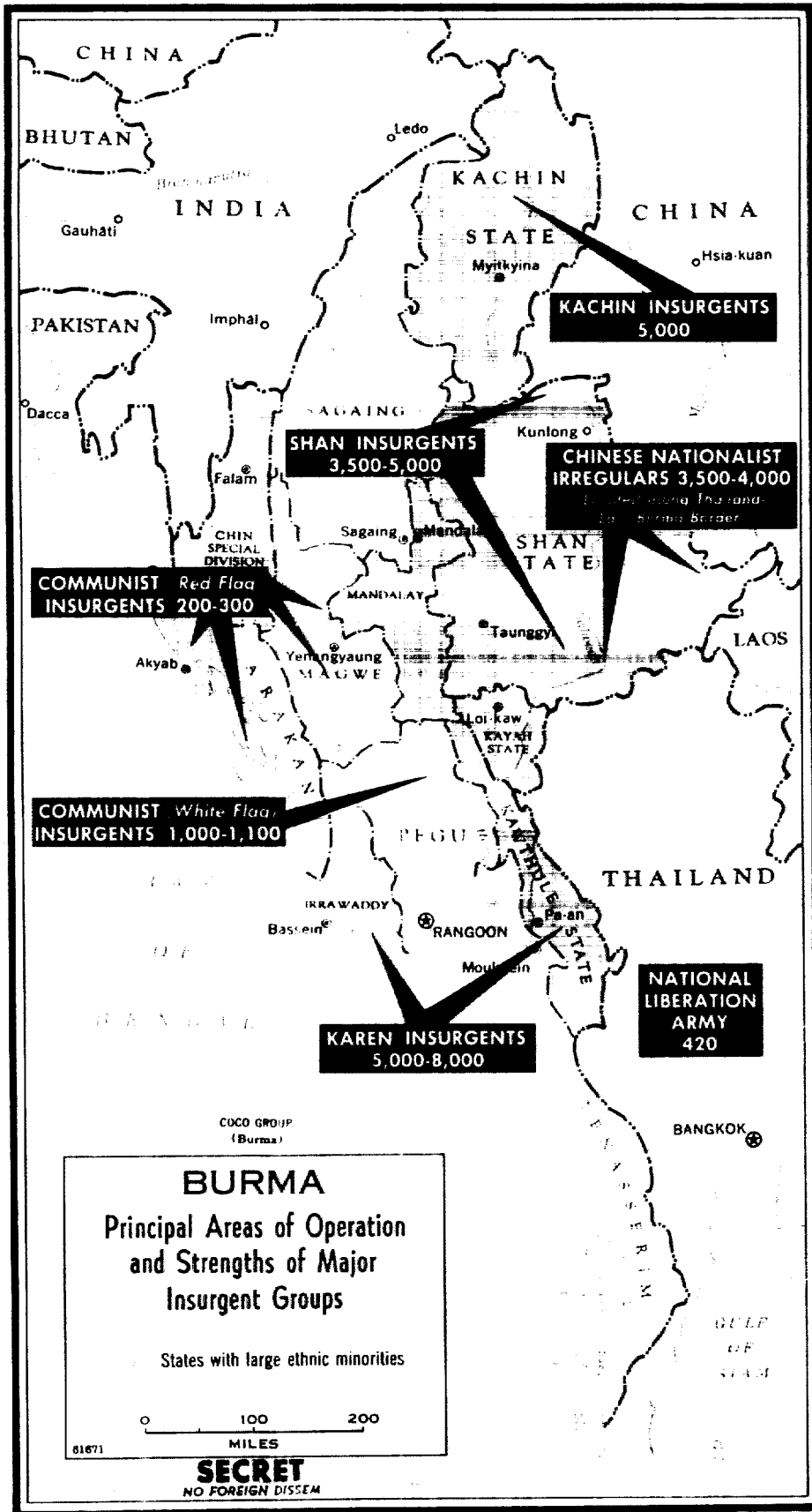
the prerogatives of the Buddhist clergy (the Sangha), and by the government's rejection of parliamentary democracy in favor of an authoritarian leftist political system.

The business community has been demoralized by Ne Win's assault on private enterprise, and the government's economic policies have resulted in growing unemployment, particularly among urban workers. Moreover, senior military officers are resentful of their enforced preoccupation with political and economic affairs.

These tactics have created dissatisfaction among many elements of the population. However there has been no appreciable coalescence of discontented elements into a unified or activist opposition that could provide a real threat to the regime.

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Insurgency has been endemic in Burma since World War II. The insurgents are the "hill peoples," who include the Karens, Kachins, Shans, and lesser tribes, all totaling about one fourth of Burma's population. Their disaffection focuses mainly on the overlordship of the ethnic Burman majority which dominates the central government.

The traditional animosities of the tribal minorities toward the Burmans have been exacerbated by Rangoon's apparent neglect of the social, economic, and political welfare of the outlying minority states. Disaffection also derives from the efforts of the dominant Burmans to impose their language, customs, religion, and political control upon the minorities, although a major policy shift from intolerance to encouragement of ethnic cultures seems to have occurred over the past year. The objective of the fragmented ethnic insurgents is independence, or at least autonomy with the right of secession, which no government in Rangoon is likely to concede.

General Ne Win tried, with little success, to effect a rapprochement through extended negotiations with insurgent leaders in 1963 and early 1964. An uneasy truce was concluded with one Karen faction, but disillusionment with the government's promise of greater autonomy, the army's refusal to integrate Karen

insurgent units under Karen officers, and the loss of one of the faction's senior officers in a shooting affray with government forces last September have combined to make the truce even more tenuous.

The Karen insurgents, the largest and most active dissident group, have an estimated armed strength of 5,000-8,000 in a total Karen population of 2 million. Their goal is the creation of an autonomous Karen state. Once regarded as the best organized and most effective fighting force of all the dissident groups, the Karen National Defense Organization (KNDO) has been weakened by an internal split. When the majority faction agreed to a truce with the government in March 1964, the other faction, called the Karen National United Party (KNUP), continued its anti-government activities. The larger KNDO force operates chiefly in the heavily Karen-populated Salween River valley region of eastern Burma, while the smaller, Communist-dominated KNUP conducts operations in the Irrawaddy Delta area and central Burma.

The Kachin insurgents are organized into the Kachin Independence Army (KIA) and number about 5,000. They too seek an autonomous state and possible independence for the 500,000 Kachins of Burma. The KIA is generally active throughout Kachin State and in the northern part of Shan State.

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The 3,500-5,000 Shan insurgents are pressing for autonomy for some 1,500,000 Shans. They are broken up into several contending factions, but the Shan State Revolutionary Council is the state's most representative body. The Shan insurgent factions operate almost wholly in Shan State in northeastern Burma.

An insurgent organization calling itself the National Liberation Army (NLA) and having as its objective the overthrow of the Ne Win regime was formed by Burmese exiles in Thailand in May 1965. Its leaders hope to form a united front with the ethnic insurgents and to challenge the armed forces openly, gaining recruits as they advance up the Tenasserim Peninsula toward Moulmein and Rangoon. They claim to have representatives from all insurgent groups, as well as support from other military, political, and religious bodies. The NLA lacks both unity and extensive external assistance, however, and does not constitute a serious threat. The NLA, in fact, consists of only some 20 ex-army personnel and about 400 predominantly Karen followers.

Another insurgent force consists of remnants of the Nationalist Army which retreated from China in 1949. When the Chinese irregulars first settled in the Burma-Laos-Thailand area they numbered about 15,000 men, but their ranks were heavily depleted in later years by desertions,

evacuations to Taiwan, and by reported Sino-Burmese military action in 1961.

The Chinese force appears to be divided into two major groups with a combined total of about 3,500-4,000 men, most of whom are local tribesmen serving under Chinese officers. Very little assistance and direction have been provided by Taiwan over the past several years, but there have been recent indications of renewed contacts. The Chinese troops' original objectives included military incursions into Communist China, but their activities are now largely restricted to the opium trade and banditry, often in association with Shan insurgents.

There are two clandestine Communist parties in Burma, identified as the Burma Communist Party - White Flag and the Burma Communist Party - Red Flag. The two organizations suffer from leadership animosities and an ideological cleavage, and have shown little inclination to cooperate in the promotion of their goals.

The Peking-oriented White Flags have an estimated 1,000-1,100 hard-core activists who operate mainly in the Irrawaddy Delta and in the jungle-covered hill ranges flanking the central plain. Their only significant achievement has been the subversion of about 2,000 delta-based KNUP insurgents.

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The White Flags have established links with Peking, where they are reported to maintain an office. In 1963, 20 White Flag leaders came from Peking upon invitation from the Burmese Government and negotiated unsuccessfully for an end to White Flag insurgency. Although the Chinese provide propaganda support, there is no evidence of material assistance. Instead, the White Flags secure most of their supplies, arms, and ammunition by raiding villages and isolated army outposts.

The largely ineffectual 200-300 Red Flags--labeled Trotskyists by the White Flags--are dispersed mainly along the western coast and central plain. They command some student support, particularly in Rangoon, but have no large popular following. Generally more militant and radical than the White Flags, the Red Flags constitute only a slight nuisance to the government.

A few Communists have infiltrated the BSPP, the country's only political party, and have some influence in the development and execution of government policies. A number of persons who were associated with the Communist movement a few years ago are employed as government advisers and BSPP organizers. Nonetheless, these individuals have no base of popular support and serve only at Ne Win's sufferance.

The ethnic and Communist insurgency picture seems to have undergone some changes over the

past four years. The center of insurgent activity apparently has shifted from the north-northeast to the Irrawaddy Delta region, and a faction of the delta-based Karens is now largely under Communist domination. Insurgent activity appears to have increased in recent months beyond the normally higher level which usually occurs with the beginning of the dry season in October.

Ne Win reportedly estimates that his government now controls only about 65 percent of the country, compared to 75 percent four years ago. Even if this is correct, however, those areas lost by the government are not necessarily controlled by the insurgents. The insurgents are not strong enough to topple the Ne Win regime because they lack popular support, material assistance, and centralized direction, but they do constitute a serious drain upon the government's limited resources and hamper Ne Win's reform program.

Army Loyalty

Ne Win's continued firm control of Burma's 122,000-man volunteer army remains the crucial factor in the stability of his regime. Consequently, the army's loyalty and support are carefully nurtured and cultivated, and Ne Win's officers remain personally loyal to him, although some are not wholly committed to his socialist revolution.

There appear to be some frictions between Ne Win and

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the army and within army ranks. A number of officers reportedly were piqued by Ne Win's recent verbal castigation of them for their failure to embrace enthusiastically the "Burmese Way to Socialism" and their failure to implement successfully the government's economic policies. Some officers apparently were disappointed by Ne Win's refusal to alter or change these economic policies despite an almost unbroken record of failure.

There is also some dissension between field commanders and senior staff officers in army headquarters. The former resent the criticisms and admonitions of the Rangoon-based strategists. The senior field officers administer the government's economic and political reforms at the town and village levels and are held responsible by both Rangoon and local citizens for failures and disruptions. The field units also must combat ethnic and Communist insurgents.

Ne Win is somewhat concerned about the army's attitudes; recently he pointedly reminded his officers that they must "sink or swim" with him. Even though he commands the loyalty of the military, several factors--burgeoning popular discontent, increased insurgency, continued economic deterioration, and Ne Win's persistent tongue-lashings--could in time undermine army support and lead to the collapse of his regime.

Economic Stagnation

Despite the government's best efforts, the economy con-

tinues to stagnate. Foreign trade is declining, and foreign exchange reserves declined during 1965. Rice exports, which constituted 60 percent of the country's export trade in 1963, slipped from 1.7 million tons in 1963 to 1.5 million tons in 1964, and probably fell to about 1.3 million tons in 1965.

Shortages of essential commodities and consumer goods have resulted from lower production, the government's inept distribution system, and reduction of imports. There has been a general decline in public utilities and public services, and medical facilities are nonexistent or inadequate. In an underpopulated country which traditionally has produced agricultural surpluses, rice and other necessary food-stuffs often are in short supply. Rationing is practiced throughout the country, and black markets have persisted despite government threats of punitive action.

The deterioration is partially attributed to the rapidity with which the regime has promoted public ownership, virtually eliminating the private sector of commerce and industry. The regime's new managerial class is composed almost exclusively of military officers with little or no experience before 1962 in operating the country's economy. So far they have proved inadequate to fill the void created by the destruction of private enterprise and to implement the economic policies embraced in Ne Win's Marxist-oriented "Burmese Way to Socialism."

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The economic problem has been aggravated by the government-encouraged exodus of commercial and industrial leaders from the Chinese, Indian, and Pakistani business communities. Moreover, the regime's capability to implement its policies has been further restricted by the stifling effect of the overcentralized military dictatorship upon the bureaucracy, and by the disruptive activities of the numerous ethnic and Communist insurgent organizations.

Ne Win admits that the economy is in a "terrific mess," but he attributes this to a dearth of capable and honest administrators and to the inability and unwillingness of army leaders to implement his policies. He has refused to offer alternatives to his headlong drive toward revolutionary socialism, and no economic improvement is thus in sight. A total economic collapse is unlikely, however, because of continued foreign aid, Japanese credits and reparations, substantial natural resources, and the low economic demands of a predominantly agricultural population.

Foreign Aid and Trade

Communist China, now the country's most conspicuous aid donor, granted Burma an interest-free loan of \$84 million in 1961, but to little advantage politically. By the end of 1965, only about \$20 million had been drawn. Some 250 Chinese technicians are now in Burma to supervise and assist the Burmese in

the construction of such Chinese-financed enterprises as three hydroelectric projects, two plywood plants, two sugar mills, and a tire factory. A suspension bridge across the Salween River at Kunlong was completed last December. Sino-Burmese trade is similarly modest but shows an annual balance heavily in favor of China.

Soviet and Soviet bloc aid has been ever more restricted, and only about 40 Soviet technicians are in Burma. Three Soviet-financed projects, worth an estimated \$7 million, were completed under a gift offer of 1956, and five other projects were canceled by the Burmese as too costly and unnecessary. Moreover, Soviet-Burmese trade probably does not exceed \$20 million annually.

US aid has been reduced steadily under the Ne Win government. The Rangoon-Mandalay highway project, the largest single US-financed activity in the country, was canceled by Ne Win in 1964.

In June 1965, the US agreed to finance about \$3.5 million in foreign exchange and to assist in the construction of a teak mill near Rangoon. This is the last project under the \$25-million line of credit extended by the US in 1957, and no further economic agreements have been concluded.

Overshadowing all conventional economic aid, however, has been the Japanese reparations program. Over \$250 million

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was supplied by the Japanese Government between 1953 and 1965, and another \$140 million in goods and services and a \$30-million loan were arranged for the period 1965-1977 by agreement in 1963.

Foreign Policies

Although Ne Win assiduously applies his version of Marxist principles within the country, he follows a foreign policy of neutrality, nonalignment, and noninvolvement.

Foreign contacts are held to a minimum, and efforts are made to exclude foreigners from participation in Burmese activities. As a result of Ne Win's own xenophobic inclinations and his desire for Burma to "go it alone" diplomatic missions have been sharply restricted. Foreign press correspondents are discouraged from entering the country, visas are granted only grudgingly, and foreigners passing through Burma to other destinations are limited largely to the environs of Rangoon. Ne Win himself shuns the diplomatic community and has ordered government officials and army officers to minimize their association with foreigners.

Ne Win has shown a cautious preference for Communist countries despite his neutralist aspirations. However, he is very much

aware that economic dependency can produce political subservience and has accepted only limited foreign assistance. He has kept China and the Soviet Union, as well as Western countries, at arm's length.

An observer noted a few years ago that the Burmese Foreign Office devoted more than half of its total effort to Sino-Burmese relations. The Burmese purportedly provide a more exact delineation of the relationship, asserting privately, "When China spits, we swim."

While Burma seeks to promote a mutually satisfactory relationship with its northern neighbor, on several occasions it has acted independently of Chinese interests and wishes. Following the breakdown of negotiations with the White Flag Communists in 1963, for example, Ne Win arrested about a thousand above-ground Communists. He closed the Chinese Consulate in Mandalay in 1964 for engaging in excessive propaganda activities. He also supported the partial nuclear test ban treaty, which China vehemently opposed. Indeed, China has sometimes been placed in the position of actively soliciting Burma's friendship and favor, and its efforts to influence the Burmese have largely revolved around aid and trade programs, cultural activities, and visits to Burma by high-ranking government officials.

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Ne Win's freedom to pursue neutrality, nonalignment, and noninvolvement, however, is restricted. Burma shares a 1,360-mile border with China, and Ne Win entertains no illusions about China's vastly superior military might or its willingness to employ force to protect China's national interests. Consequently, he is sometimes compelled to assume a more accommodating posture toward China than he probably desires.

Outlook

Ne Win's revolutionary government is unlikely to undergo any significant changes in the foreseeable future, barring some external development which profoundly affects Burma's interests.

The government probably will continue its policy of neutrality, nonalignment, and noninvolvement in international affairs. Insurgency will re-

main a constant drain upon the government's resources and will continue to be the major obstacle to the political and economic integration of the country.

Economic problems will persist, but aid from abroad, abundant natural resources, and the moderate needs of the agricultural masses should prevent any sudden collapse. However, continued economic stagnation, seized upon and exploited by dissident elements, might serve ultimately to alienate the public and change the outlook.

Over the long term, Ne Win runs the risk of losing the army's loyalty by refusing to change his economic policies and by blaming the army officers for failure to implement those policies. There is no sign, however, that military dissatisfaction has as yet reached a dangerous level. (SECRET NO FOREIGN DISSEM)

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